



**Calhoun: The NPS Institutional Archive**  
**DSpace Repository**

---

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

---

1985

# Appropriations distribution trends with regard to the availability of funds in the DON budget

Benson, Janet G.

---

<http://hdl.handle.net/10945/21169>

---

This publication is a work of the U.S. Government as defined in Title 17, United States Code, Section 101. Copyright protection is not available for this work in the United States.

*Downloaded from NPS Archive: Calhoun*



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

**Dudley Knox Library / Naval Postgraduate School**  
**411 Dyer Road / 1 University Circle**  
**Monterey, California USA 93943**

<http://www.nps.edu/library>







DUDLEY KNOX LIBRARY  
NAVAL POSTGRADUATE SCHOOL  
MONTEREY, CALIFORNIA 93943-5002





# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

APPROPRIATIONS DISTRIBUTION TRENDS WITH REGARD  
TO THE AVAILABILITY OF FUNDS IN THE DON BUDGET

by

Janet G. Benson

December 1985

Thesis Advisor:

Jerry L. McCaffery

Approved for public release; distribution is unlimited

T226032



## REPORT DOCUMENTATION PAGE

REPORT SECURITY CLASSIFICATION		1b. RESTRICTIVE MARKINGS	
SECURITY CLASSIFICATION AUTHORITY		3 DISTRIBUTION / AVAILABILITY OF REPORT Approved for public release; distribution is unlimited	
DECLASSIFICATION / DOWNGRADING SCHEDULE			
PERFORMING ORGANIZATION REPORT NUMBER(S)		5. MONITORING ORGANIZATION REPORT NUMBER(S)	
NAME OF PERFORMING ORGANIZATION Naval Postgraduate School	6b OFFICE SYMBOL (If applicable) Code 54	7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School	
ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5100		7b. ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5100	
NAME OF FUNDING / SPONSORING ORGANIZATION	8b. OFFICE SYMBOL (If applicable)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
ADDRESS (City, State, and ZIP Code)		10 SOURCE OF FUNDING NUMBERS	
		PROGRAM ELEMENT NO.	PROJECT NO.
		TASK NO.	WORK UNIT ACCESSION NO.
TITLE (Include Security Classification) APPROPRIATIONS DISTRIBUTION TRENDS WITH REGARD TO THE AVAILABILITY OF FUNDS IN THE DON BUDGET			
PERSONAL AUTHOR(S) Johnson, Janet G.			
1 TYPE OF REPORT Master's Thesis	13b TIME COVERED FROM _____ TO _____	14 DATE OF REPORT (Year, Month, Day) 1985, December	15 PAGE COUNT 61
SUPPLEMENTARY NOTATION			
COSATI CODES		18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)	
FIELD	GROUP	SUB-GROUP	
		Budget; Appropriations; Department of the Navy; Incrementalism	
ABSTRACT (Continue on reverse if necessary and identify by block number)			
<p>This thesis examines the factors affecting the final outcome of the DON budget, both monetary and political. Trends for the four major appropriations areas are analyzed to compare how their distribution changes with regard to availability of funds and Congressional influence.</p> <p>The data collected for the thirty year period FY55 through FY84 indicated that while DON budgeting is primarily incremental, some appropriations areas fare better than others with changing availability of funds. The Procurement (PROC) appropriation has been the most sensitive to the availability of funds, while Research, Development, Test and Evaluation (RDT&amp;E) also receives its largest shares of the</p>			
20 DISTRIBUTION / AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT <input type="checkbox"/> DTIC USERS		21. ABSTRACT SECURITY CLASSIFICATION Unclassified	
22a NAME OF RESPONSIBLE INDIVIDUAL Prof. Jerry L. McCaffery		22b TELEPHONE (Include Area Code) (408) 646-2554	22c. OFFICE SYMBOL Code 54Mm



## #19 - ABSTRACT - (CONTINUED)

budget during years of abundant funding. Operations and Maintenance (O&M) and Military Personnel (MP) fare better than RDT&E and PROC during lean years, but worse than those categories during abundant years.

Approved for public release; distribution is unlimited.

Appropriations Distribution Trends with Regard to the  
Availability of  
Funds in the DON Budget

by

Janet C. Benson  
Lieutenant, United States Navy  
B.S., University of Minnesota, 1976

Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL  
December 1985

339132  
0.7

## ABSTRACT

This thesis examines the factors affecting the final outcome of the DON budget, both monetary and political. Trends for the four major appropriations areas are analyzed to compare how their distribution changes with regard to availability of funds and Congressional influence.

The data collected for the thirty year period FY55 through FY84 indicated that while DON budgeting is primarily incremental, some appropriations areas fare better than others with changing availability of funds. The Procurement (PROC) appropriation has been the most sensitive to the availability of funds, while Research, Development, Test and Evaluation (RDT&E) also receives its largest shares of the budget during years of abundant funding. Operations and Maintenance (O&M) and Military Personnel (MP) fare better than RDT&E and PROC during lean years, but worse than those categories during abundant years.

TABLE OF CONTENTS

I.	INTRODUCTION -----	6
II.	BACKGROUND -----	9
III.	DATA BASE AND RESULTS -----	20
	A. SOURCES AND EXPLANATIONS -----	20
	B. RESULTS -----	21
	1. Distribution of Funds -----	21
	2. Availability of Funds -----	25
	3. Growth Rates -----	31
	C. SUMMARY OF RESULTS -----	40
IV.	CONCLUSION -----	43
	A. DON APPROPRIATIONS DISTRIBUTION -----	43
	B. "PADDED" BUDGET REQUESTS? -----	50
	C. SUMMARY -----	52
	APPENDIX A: BUDGET DATA IN CURRENT DOLLARS -----	55
	APPENDIX B: BUDGET DATA IN CONSTANT 1972 DOLLARS -----	56
	LIST OF REFERENCES -----	57
	INITIAL DISTRIBUTION LIST -----	60



## I. INTRODUCTION

Budgeting is a fact of life for not only individuals, but all groups and organizations for which there are unlimited "wants" but limited resources. The U.S. Navy is no exception. Its "wants" (which are often interpreted by the individual or organization as "bare-bones needs") are subjected to scrutiny and questioning as they go up the chain of command, on to the President and the Congress. At each level, a process of cuts, reclaims, restorations, and justifications takes place.

It is one thing to study the logical and repetitive steps in the budgeting process, or "the way it is supposed to be done." It is another to assume that the budgeting process is just that--an orderly series of steps which take place year after year in the same manner. Were this assumption made, budgeting outcomes themselves would be quite logical, predictable and repetitive.

But while the DON budgeting process is indeed structured, the final outcomes are not always predictable. Many different factors play a part in the process, not the least of which is the "human" factor. The budgeting process is not a series of numbers fed into a machine, manipulated, and spit out to the other end. It is a human process, where numbers are subject to the values, objectives, and priorities of several people along the way. It is a process whereby limited

resources are allocated to different agencies and programs, each with their own worthy causes.

The budgeting process, then, is more complicated than it appears on the surface. There is a great body of literature available resulting from studies done to try to "compartmentalize" the budgeting process. Within this literature, two main theories are present. Briefly, an incremental model proposes that a budget is arrived at by policy makers who consider only small parts of the budget and make incremental additions or subtractions to these parts from last year's budget. An opposing view is that of program budgeting--looking at the budget as a whole and emphasizing changes in programs and policy.

This thesis will explore the factors affecting the final outcome of the DON budget over a thirty year period from FY 55 through FY 84. Trends are analyzed for the total DON outlays as well as individual appropriations areas. The analysis closely follows the Master of Science thesis written by John Anderson at the Naval Postgraduate School in 1983. While his study examined trends in the DOD as a whole, this thesis will examine only the Navy segment of the budget, and will compare trends with those discovered by Anderson.

In addition, this thesis will explore the following questions:

- 1) Do these data fit the pattern of either an incremental or program approach?
- 2) How much do the politics of the Congressional Appropriations committees enter into the final outcome of the DON budget?

- 3) When DON priorities shift, do these priorities hold up as the budget passes through Congress?
- 4) Are budget cuts inevitable, causing the DON and other agencies to pad their requests in order to maintain a reasonable base at the end of the process?
- 5) Do some segments of the DON budget survive these cuts better than others? Do some programs receive larger increases during good times?
- 6) Are trends in the DON budget obscured when looking at only total figures rather than individual appropriations areas?

The following chapter will give some further background on the well-established incremental and program-based theories, as well as a look at the Congressional appropriations process as it affects the outcome of the DON budget.

## II. BACKGROUND

In the wide range of budgetary literature available, two main themes seem to be present. One school of thought emphasizes that Federal budgeting as it is done today is incremental, that is, concentrates on bits and pieces of the budget and making incremental additions or subtractions, rather than emphasizing program and policy [Ref. 1:pp. 135-136]. This incrementalist theory is believed by some to be both stable and linear, to the extent that it can be represented by a simple model [Ref. 2:p. 529].

One of the greatest arguments for using an incremental process is the relative ease with which calculations can be made. Davis, Demster, and Wildavsky [Ref. 2] subscribe to an incrementalist theory and state that:

Participants in budgeting deal with their overwhelming burdens by adopting aids to calculations. By far the most important aid to calculation is the incremental method . . . . This year's budget is based on last year's budget, with special attention given to a narrow range of increases or decreases. [Ref. 2:pp. 529-530]

As Wildavsky [Ref. 1] also points out, this incremental process tends to mask policy implications, since it is much easier to agree to an addition or subtraction to a program than on whether or not a program as a whole is good [Ref. 1:p. 136]. The incrementalist theory is explored further by Lindbloom [Ref. 3] who proposes that interagency disputes and political alliances make very little difference in the long run and that



administrators rarely depart significantly from what they are doing. They "muddle through" and make only marginal changes in established operations, while budgets remain quite stable over the years [Ref. 3:p. 88].

Another theory of budgeting emphasizes the program as the primary item in the decision process, rather than merely an incremental change. A programmatic theory by nature emphasizes more of the policy side of decision-making. When policy is examined, conflict becomes much more a part of the process, and problems of calculation are increased when the desirability of every program must be weighed against all others [Ref. 1:p. 136].

How do these theories apply to the Federal budgeting process and in particular, the Congressional appropriations process? First, an understanding of the budgeting process itself helps to shed light on the complexity of the factors involved. In their article on priorities and policy in the budgeting process, Natchez and Bupp [Ref. 4] refer to several stages in the budget process. The process begins with the budget guidelines that are sent down by OMB. Usually, agencies will respond to the OMB by preparing "flash estimates" or "preview budgets." These budgets serve to begin the process of negotiation, and, in the weeks that follow, a series of informal estimates are established indicating how much expansion is likely to be considered reasonable in light of the administration's priorities.

On the basis of the information, the agency's comptroller begins to aggregate budget requests from the operating divisions within the department or agency. These estimates are

worked over by the Comptroller with an eye towards bringing them in line with administration expectations. It is during this part of the process that competition within the agency reaches its greatest intensity. Each division struggles for funds against the budgetary interests of the other operating divisions, each trying to avoid the heavy hand of the Comptroller by shifting the burden of budgetary cuts to some other division's programs.

The budget outcomes at this stage of the process become formal requests to the President for funding and are sent to the OMB for review. Acting "in accordance with the president's program," the OMB "marks up" each budget, item by item, program by program--cutting away wherever it can, accepting other requests as submitted, and occasionally, adding money to some project that the administration looks upon with special favor. The entire thrust of the OMB at this point is to attack budget requests that have produced unnecessary and expensive settlements.

Budgets then are normally marked up with a heavy hand and returned to those who wrote them for reconsideration. Here the agency or department has a choice: It can accept the OMB's actions as they stand or it can appeal to the OMB for some measure of restoration. Those items not disputed by the OMB, or subsequently returned to the OMB by appeal, are regarded as a settled part of the Administration's budget. Each agency chairman or department secretary can argue for restorations directly before the President.

The President's decision ends the process and the results are printed up and sent along to Congress. The degree of success that he has with the President is widely regarded as an evaluation of his administrative worth and, at the same time, a measure of the importance that agency or department has in the administration. By design then, the budgetary process produces a climate of scarcity in which the success of those who participate is measured by the number of dollars they are able to win. Indeed, the entire process of formulating budgets within agencies plays upon the institutional interests of bureaucrats so as to produce the explicit competition between alternative "policies" [Ref. 4:pp. 952-953].

Probably the greatest influence in the budgetary process is wielded by Congress, and in particular, the appropriations committees. The House and Senate Appropriations Committees have traditionally adopted the role of guardian, cutting executive branch requests. Historically, the Senate committee has differed from the House Committee in several ways. The House has had a primary position in the appropriations process. The House also has tended to have longer, more detailed hearings on the agency requests and has made deeper cuts in the requests. Agencies were in the habit of appealing cuts made in the House to the Senate Committee, counting on the Senate to recommend slightly more than the House in the majority of cases. [Ref. 5:p. 199]. However, changes in the appropriations process have occurred over the last two decades, with the committees losing

some of the institutional power they once enjoyed. The Senate Appropriations Committee is now more nearly the equal of the House Appropriations Committee [Ref. 5:p. 208].

Since Congress as a whole cannot take on the entire burden of budgeting, they tend to accept the verdict of the appropriations committees most of the time, occasionally intervening to keep the committees in line [Ref. 1:p. 57]. Wildavsky contends that the power of the appropriations subcommittees would be diminished if their recommendations were very often successfully challenged by Congress.

The role of the defender also has its roots in the respect for expertise and specialization in Congress, and the ensuing belief that members who have not studied the subject should not exercise a deciding voice without the presence of overriding considerations. [Ref. 1:p. 51]

Wildavsky states that committee members frequently concentrate on line items instead of various programs as a whole. This "line-item form enable them to concentrate on the less divisive issue of how much for each item" [Ref. 1:p. 59]. He also sees budgeting as being fragmented.

Each subcommittee, and sometimes specialists within these bodies, operates as a largely autonomous unit concerned only with a limited area of the budget. Even the subcommittees do not attend to all the items in the budget but pay special attention to instances of increases or decreases over the previous year . . . fragmentation is further increased by the Senate Appropriations committee, which focuses its attention on items that are appealed from House decisions. The Senators therefore, often deal with a fragment of what is already (through House action) a fragment of a fragment. [Ref. 1:p. 59]

Richard Fenno [Ref. 6] states that the "power of the purse" is key to the power of the House of Representatives,



and reducing its share is the single most serious blow it could receive [Ref. 6:p. 176]. In addition, each individual member has his or her own values and objectives in the appropriations process. Each member of Congress not only wants to implement his own values, but wants to be re-elected and be an influential member of Congress: he wants POWER [Ref. 6: p. 177]. This power can be in the form of budget cuts and threats to cut budgets. Agencies must fight for funding from this powerful group.

Under the historical frame of reference created by the incremental base, fair-share types of calculation, agency officials are faced with a series of related problems. How can they keep their base intact so as to have an advantageous starting point next time around? How can they increase their appropriations income without giving the appearance of increasing them drastically? How can they make new programs look like old ones? How can they secure funds for new programs that are presented as just what they are? Another way of putting it is to ask how they can do what they believe is required in the public interest as they define it within the context of the budgetary system? [Ref. 1:p. 102]

Fenno observes that subcommittees most often make incremental reductions in the President's budget, much less frequently will make marginal increases in response to constituency interests, and very rarely will make large, crippling decreases or huge, beneficial increases in executive requests [Ref. 6: p. 179]. Part of the Congressional right to override the President's budget is built into the system deliberately to diffuse power.

An important factor in this subcommittee decision-making is that decisions must be made under conditions of limited time

and scarce information. They cannot possibly know all there is to know about every program. Therefore, decisions are often made by drawing inferences from a small sampling of information. Fenno also observed that Congressional committee members attempt to make their task more manageable by focusing their attention on that part of the budget request that represents a change, primarily new programs and expansions in old programs [Ref. 6:p. 181].

This would seem to be supported by results of a study done by Kanter [Ref. 7] of the Defense budget during the 1960's. He attempted to determine whether Congress's orientation to appropriations was primarily programmatic or incremental [Ref. 9:p. 129]. His findings suggest that Congress has more impact in some areas than in others, and Congressional activity has been concerned with more than reducing the level of expenditures [Ref. 7:p. 130]. Kanter found that Congress almost always made larger changes in the procurement and RDT&E areas than in O&M and MP [Ref. 4:p. 134]. As a result, computation of budget changes based on the total defense budget consistently understates the size of the change in the former two appropriations titles and exaggerates the changes in MP and O&M [Ref. 7:p. 131].

The total DOD budget appears to emerge from the Congressional budget stages virtually unscathed largely because more than half of that total is virtually untouched as it passes through Congress. . . . Congress has focused its attention on Procurement and RDT&E--those parts of the budget primarily concerned with present and future weapons systems. This Congressional activity has been obscured in discussions based on total DOD annual budgets. [Ref. 7:pp. 134,142]

Kanter suggests that the "simple incrementalism" model might best describe the O&M and MP categories, which are less policy-oriented and therefore less subject to programmatic budgeting behavior [Ref. 7:p. 135]. Overall, however, he concluded that Congress's approach to defense appropriations was more programmatic than incremental and that they are concerned about more than how much money is spent. They have also shown a willingness to influence the content of national security policy [Ref. 7:p. 142]. Procurement and RDT&E are much easier to break down into program areas which can be analyzed individually. These areas have more leverage in influencing defense policy [Ref. 7:p. 136].

Budget reviewers are often criticized for concentrating on increases and giving too little attention to items in the base amount. The amount appropriated last year is not necessarily appropriate for this year, and looking only at items which propose changes does not require comparison of the relative value of the old and the new [Ref. 8:p. 80].

Another factor affecting the Committee's decision is pointed out by Fenno [Ref. 9]. He states that the Committee's confidence in an agency can be shaken if there is evidence that money appropriated in the previous year was used for purposes not authorized by the Committee [Ref. 9:p. 334]. As a result, other agency programs may be put in jeopardy.

LeLoup [Ref. 10] suggests that there is a game which goes on between the agency and the appropriations committee. The

appropriations Committees of the 1980's remain oriented to budget cutting, and the agencies are well aware of this. Still, most agencies present the Appropriations Committees with annual requests for increases, based on a well-established core program [Ref. 10:p. 82]. Agencies will most often contend that their budget requests are carefully thought out and represent only needed programs. Therefore, they feel their budget expectations are reasonable and should not be cut. LeLoup states that agency officials are unanimous in asserting that they never pad their budgets [Ref. 10:p. 82]. They feel that although cuts can and will be made, these cuts mean that valuable programs will be sacrificed [Ref. 10:p. 82].

In Fenno's 1973 study [Ref. 11] of Congressional committees, he found that although budget cutting was used by Congress as a means of influence, Committees also support executive programs by giving them "less than they asked for" but "more than they got last year." This would suggest that while agencies claim no padding in their budgets, Congressional Appropriations committees assume some "fat" and consequently cut a request the vast majority of the time. At the same time, they feel they are still supporting a program by giving it more than the previous year. Agencies, on the other hand, feel their budget requests represent programmatic demands, and any and all budget reductions should reflect programmatic decisions, not merely a percentage or incremental cut [Ref. 10:p. 83].



Since agencies and Congressional Committees are not dealing with an unlimited amount of money, the basic budgeting decision becomes allocating scarce resources among all the supposedly worthy and necessary programs. As Wildavsky states:

Expenditure limitation tied to national product--spending cannot grow more than the proportionate growth of the economy. Only so much can be spent and everyone knows it. Politicians have a perfect rationale for turning down demands--there is no money . . . under expenditure limitation, the number of decisions to be made decreases (because there is room for few new programs) but their importance increases (because the affected interests, in and out of the bureaucracy, must come to the politician for decision, each knowing all cannot be satisfied) . . . instead of being for or against a cause, politicians have to balance competing values. Balancing and negotiation turn out to be a politician's stock in trade.  
[Ref. 12:pp. 24-25]

Although Key [Ref. 13] posed the question over forty years ago, it remains relevant today. He saw the basic budgeting question as "on what basis shall it be decided to allocate X dollars to Activity A instead of Activity B?" [Ref. 13:p. 86]. Economists might answer the question by using the theory of marginal utility--distributing resources among different uses such that the marginal return of satisfaction is the same for all of them. By applying more of the business and economic methods to the budget process, it is believed by some that the resulting decisions will be based on "sound cost-benefit considerations and will reduce the influence of politics in the process" [Ref. 14:p. 67].

But in the Federal budgeting process, costs are much easier to arrive at than benefits. To measure the benefit of

something involves values of the person making the decision, and therefore, politics enters into it. Lewis [Ref. 10] points out that the economic aim of budgeting, attempting to achieve the "best" use of our resources, contains within it many human and uncontrollable factors.

One big problem in budgeting is making forecasts of what the needs will be tomorrow, and well into the future. Hence, the government may decide to divert huge quantities of scarce resources for a certain purpose based not on firm facts, but on forecasts and hopes as to the values to be realized. Not only must budget decisions sometimes be based on sheer guesses, but accomplishments in relation to cost often cannot be accurately measured even after the fact. [Ref. 10:pp. 74-75]

Key believes that marginal utility theory cannot realistically be applied to public expenditures, stating: "The most advantageous utilization of public funds resolves itself into a matter of value preferences between ends lacking a common denominator" [Ref. 15:p. 90].

In the following chapter, historical data on the DON budget is presented. By analyzing some actual figures, it may be easier to see how the DON budgeting process is influenced by both monetary restrictions and political decisions.

### III. DATA BASE AND RESULTS

#### A. SOURCES AND EXPLANATIONS

The source used for the budget data in this thesis was The Budget of the United States Government [Ref. 12] from fiscal year 1955 through 1984. GNP deflators used for conversion to 1972 current dollars were obtained from the Economic Report of the President for February 1985 [Ref. 13].

The figures shown in this study for the Department of the Navy include both Navy and Marine Corps, active and reserve forces. The aggregate figures have been broken down into the four major appropriations categories which are as follows:

MILITARY PERSONNEL (MP)--costs of active duty forces of the Navy and Marine Corps. Changes in financial requirements are primarily related to military personnel strengths.

OPERATIONS AND MAINTENANCE (O&M)--costs of operating and maintaining forces. Financial requirements are influenced by: number of aircraft squadrons, Marine Corps divisions, military strength and deployments, rates of operational activity, and quantity and complexity of major equipment in operation.

PROCUREMENT (PROC)--costs of acquisition of weapons, equipment, munitions, spares, and modification of existing equipment. For the Navy, major items include aircraft, weapons, and shipbuilding and conversion.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION (RDT&E)--costs associated with modernization through development and testing. Research is done by industrial contractors, government laboratories and facilities, universities and non-profit organizations.

The figures used throughout are the estimated outlays for each fiscal year. Although the format of the Budget of the United States has changed from year to year, the items included

are consistent in each category to ensure accurate comparisons can be made. Current outlay figures were converted to 1972 constant dollars using GNP deflators. Dollar totals are shown in both current dollars (Appendix A) and constant dollars (Appendix B). All dollar figures in the tables and graphs are in millions of dollars unless otherwise noted.

## B. RESULTS

A first look at any body of data usually concentrates on the overall picture, using aggregate figures. For the purpose of this study, total figures include only the four major appropriations areas previously noted. This total comprises 90-97% of the total Department of the Navy (DON) budget in estimated outlays.

The DON total of these four major appropriations areas, in current dollars, has risen from \$10,323 million in 1955 to \$73,274 million in 1984. This represents an average annual increase of \$2,098 million. In terms of constant dollars, the total has risen from \$16,968 million to \$32,803 million during the 30 years of study, amounting to an average annual increase of \$528 million. Figure 1 shows that while the overall trend is upward, DON has experienced periods of significant cuts as well as increases.

### 1. Distribution of Funds

Table 1 shows the individual appropriations categories as a percentage of the total. While the overall DON total increased, the distribution of these funds varied considerably



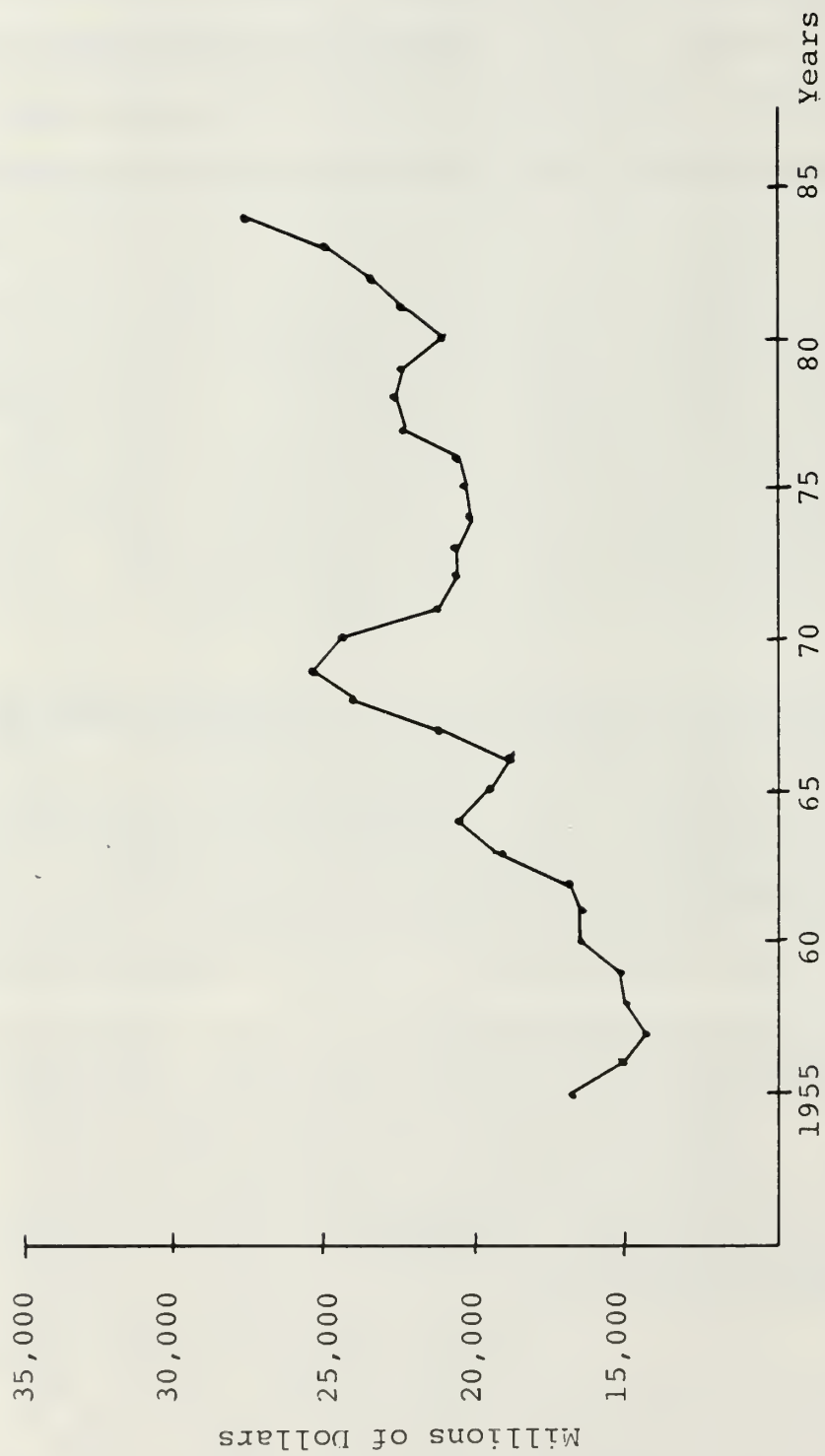


Figure 1. Total of Major Appropriations Areas--DON Budget  
(Constant 1972 Dollars)

TABLE 1

CATEGORIES AS A PERCENT OF DON MAJOR  
APPROPRIATIONS TOTAL  
(Current Dollars)

	<u>TOTAL</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1955	10,323	29.53	34.29	35.60	.58
56	9,497	30.65	25.22	39.56	4.57
57	9,359	33.60	26.16	35.43	4.81
58	9,944	32.37	27.45	35.15	5.03
59	10,284	30.01	25.96	38.20	5.83
60	11,441	28.52	24.05	39.37	8.06
61	11,532	28.58	24.06	38.46	8.90
62	11,947	28.11	23.17	38.27	10.45
63	13,736	25.63	23.19	41.14	10.04
64	15,044	23.62	20.89	45.53	9.96
65	14,607	26.73	22.56	40.73	9.98
66	14,560	27.75	23.41	39.25	9.59
67	16,851	28.61	24.57	37.53	9.29
68	19,968	28.00	25.34	37.44	9.22
69	22,161	26.69	26.68	37.02	9.61
70	22,503	27.76	25.73	36.96	9.55
71	20,547	29.52	25.37	34.57	10.54
72	20,892	27.90	25.40	35.88	10.82
73	22,123	30.72	24.68	33.55	11.05
74	23,539	30.00	25.28	33.85	10.87
75	25,818	29.98	28.51	29.88	11.63
76	27,604	28.55	31.75	27.92	11.78
77	31,605	25.87	30.70	30.75	12.68

TABLE 1 (CONTINUED)

	<u>TOTAL</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RD&amp;E</u>
1978	34,191	24.56	33.25	30.51	11.68
79	36,019	23.98	35.03	29.37	11.62
80	38,160	23.98	34.47	29.98	11.57
81	44,015	22.79	36.58	30.06	10.57
82	55,170	22.46	36.86	30.58	10.10
83	64,717	22.45	35.83	32.54	9.19
84	73,274	21.28	33.60	35.38	9.74
MEAN	25,567	27.46	28.97	36.57	9.63

from year to year. Overall, looking from the beginning of the period under study to the end, Military Personnel made up 8% less of the budget in FY 84 than it had in FY 55, while Operations and Maintenance and Procurement were down slightly by .7% and .2% respectively. The only category to gain was Research, Development, Test and Evaluation, with a rise of 9%.

Figure 2 shows that although their relative budget shares have fluctuated, the overall rankings have not changed during the period of study. In FY84 as in FY 55, Procurement received the largest share, followed by O&M, MP, and RDT&E. In the inclusive years, these rankings changed as each area experienced gains or cuts in funding.

## 2. Availability of Funds

The remaining analysis will follow closely the examination of data done by Anderson in his thesis on Department of Defense budget behavior [Ref. 14]. In the Anderson study, the data were broken down further into three categories: 1) the top ten years when DOD funds were "abundant," 2) the middle ten years when the availability of funds was considered "normal," and 3) the bottom nine years when funds were considered "tight." These categories were determined on the basis of the percent increase over the previous year for the DOD total.

To facilitate comparisons between DOD and DON budget behavior, data from this study has been similarly categorized, using the percentage increase over the previous year for the DON total of the major appropriations areas.

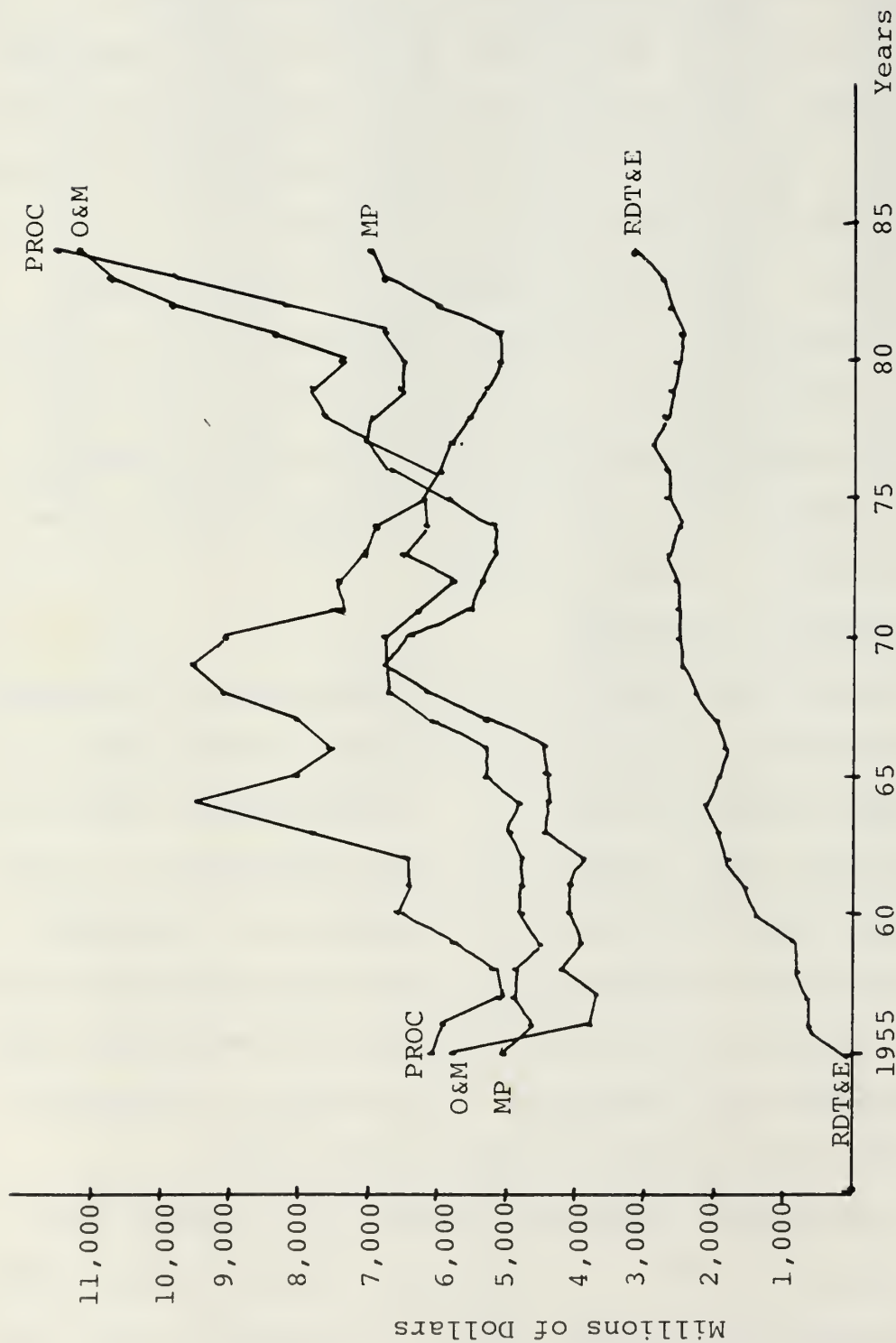


Figure 2. DON DOLLAR OUTLAYS BY MAJOR APPROPRIATIONS CATEGORIES  
(CONSTANT 1972 DOLLARS)



Table 2 presents the data in constant 1972 dollars for the top ten years for DON, beginning with 1982 which had the largest percentage increase over the previous year.

TABLE 2  
PERCENT OF DON TOTAL--ABUNDANT YEARS  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1982	26,604	22.46	36.86	30.58	10.10
68	24,192	28.00	25.34	37.45	9.21
63	19,165	25.62	23.19	41.14	10.05
83	30,053	22.45	35.83	32.54	9.19
67	21,315	28.61	24.57	37.53	9.28
60	16,654	28.52	24.05	39.37	8.06
64	32,803	21.28	33.60	35.37	9.75
77	22,567	25.87	30.70	30.75	12.68
64	20,674	23.62	20.89	45.53	9.96
69	25,534	26.69	26.68	37.02	9.61
MEAN	23,956	25.31	28.17	36.73	9.79
MED	23,380	25.75	26.01	36.41	9.68

When funds are abundant, procurement received the largest share of the budget, followed by O&M, MP, and RDT&E. Figure 3 shows that although this is true on average, the early abundant years represent a much different distribution than the later years. Table 3 shows the middle ten years, when funds were considered "normal." Here again, on average,

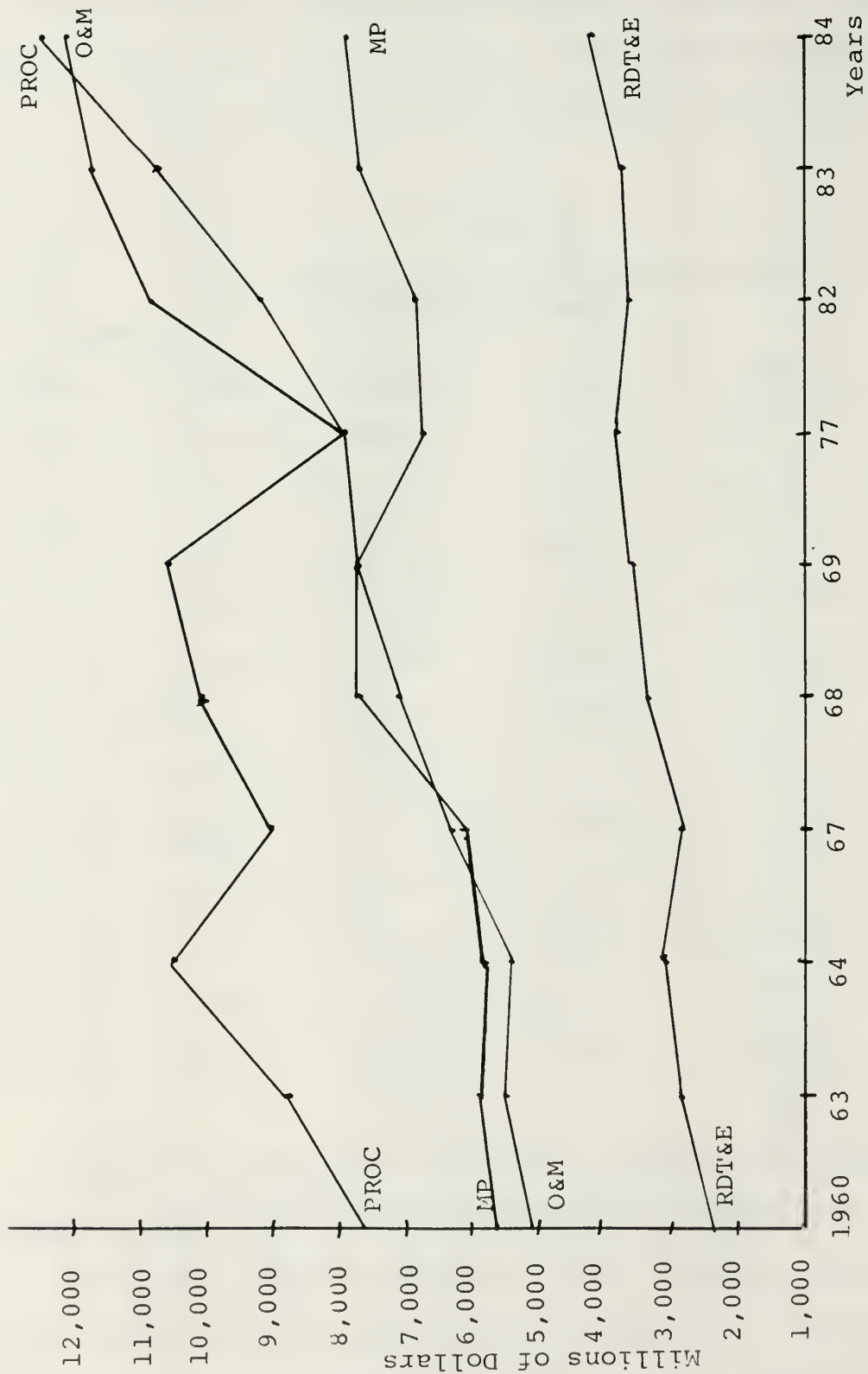


Figure 3. DON Budget Distribution Outlays, Top Ten "Abundant" Years  
(Constant Dollars)

procurement received the largest share of the funds, but now MP is second, followed by O&M and RDT&E.

TABLE 3  
PERCENT OF DON TOTAL--MIDDLE YEARS  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1981	22,503	22.79	36.58	30.06	10.57
58	15,057	32.37	27.46	35.15	5.03
62	16,922	28.12	23.17	38.26	10.45
76	20,858	28.55	31.75	27.92	11.78
59	15,214	30.01	25.96	38.20	5.83
78	22,731	24.56	33.25	30.51	11.68
75	20,524	29.98	28.51	29.88	11.63
73	20,919	30.72	24.69	33.55	11.04
61	16,634	28.58	24.07	38.45	8.90
74	20,455	30.00	25.28	33.85	10.87
MEAN	19,182	28.57	28.07	33.58	9.78
MED	20,490	29.28	26.71	33.70	10.72

Figure 4 again shows that this is by no means the case consistently throughout the middle years. While this was the distribution on average, and held true during the 1950's and 1960's, by the early 1970's and 1980's, O&M showed a dramatic rise, while procurement fell, changing the rankings to O&M on top, followed by PROC, MP, and RDT&E. Table 4 presents the data for the bottom nine or "lean" years. As a whole,

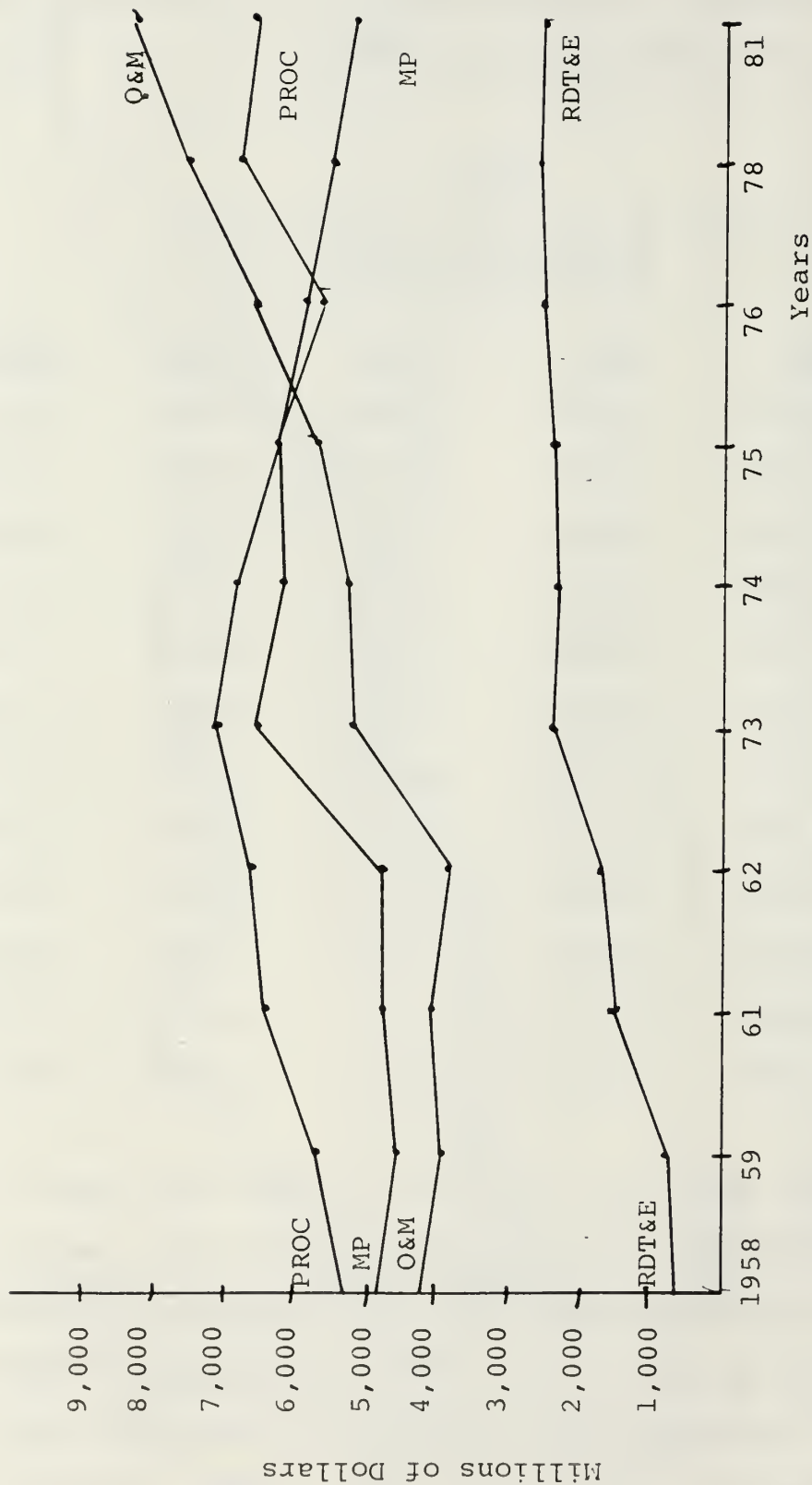


Figure 4. DON Budget Distribution Outlays, Middle Ten Years  
(Constant Dollars)

the distribution has not changed from the middle years, with procurement receiving the largest percentage, followed by MP, O&M, and RDT&E. But again, as shown in Figure 5, the average trend holds true only until the early 1970's, when procurement dropped and O&M began to rise, putting O&M on top, followed by PROC, MP, and RDT&E.

TABLE 4  
PERCENT OF DON TOTAL--LEAN YEARS  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1972	20,892	27.90	25.40	35.88	10.82
80	21,387	23.98	34.47	29.98	11.57
79	22,041	23.98	35.03	29.37	11.62
66	18,967	27.75	23.41	39.25	9.59
70	24,607	27.76	25.72	36.97	9.55
57	14,414	33.61	26.16	35.43	4.80
65	19,643	26.73	22.56	40.73	9.98
56	15,124	30.65	25.22	39.56	4.57
71	21,401	29.52	25.37	34.57	10.54
MEAN	19,771	27.99	27.04	35.75	9.23
MED	20,892	27.76	25.40	35.88	9.98

### 3. Growth Rates

Table 5 presents the overall data by major appropriations areas, now focusing on the amount of change each



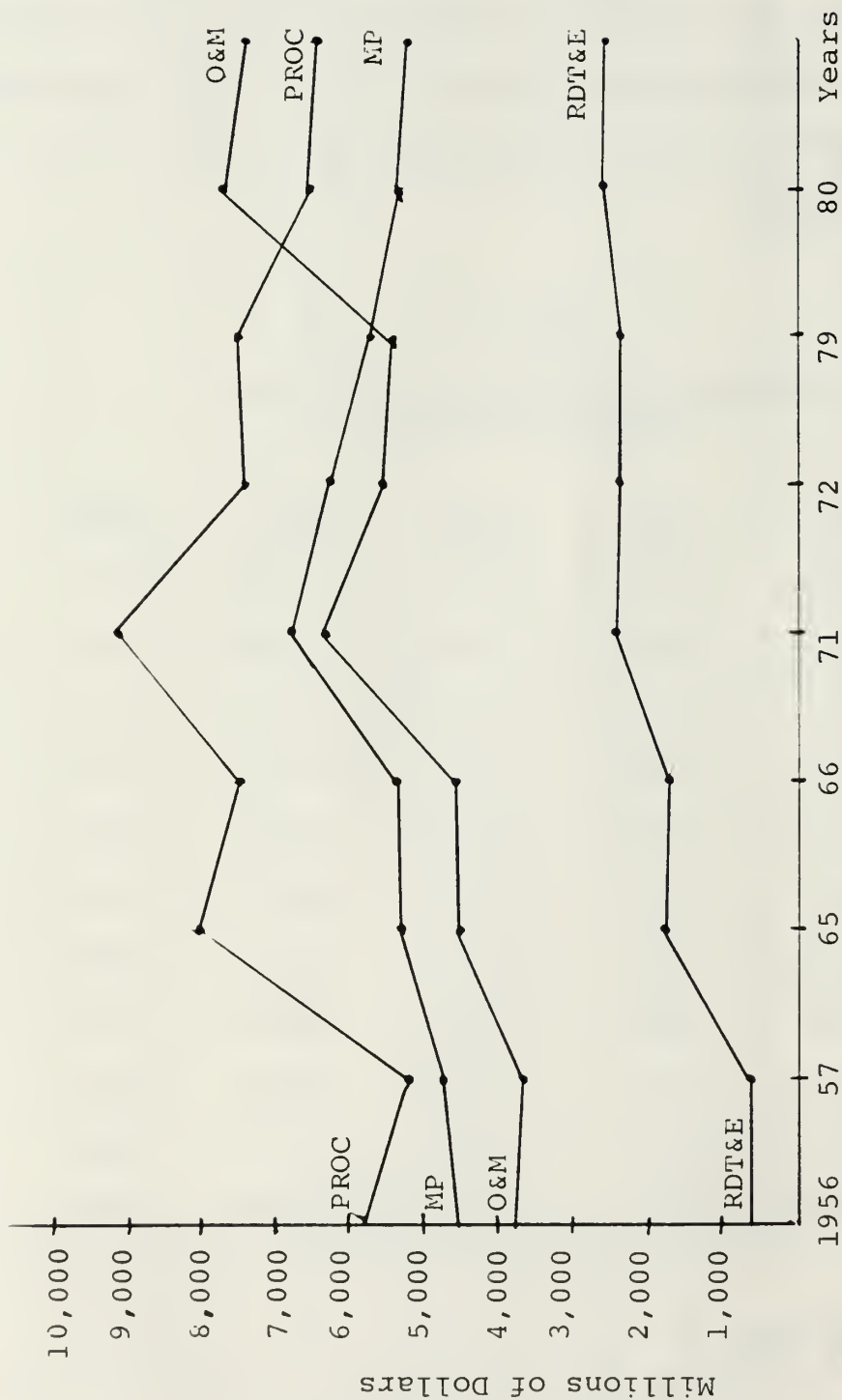


Figure 5. DON Budget Distribution Outlays, Bottom Nine Lean Years  
(Constant 1972 Dollars)

TABLE 5

PERCENT CHANGE FROM PREVIOUS FISCAL YEAR  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1956	-10.87	- 7.47	-34.46	- 0.94	597.98
57	- 4.69	4.49	- 1.15	-14.64	0.29
58	4.46	0.62	9.66	3.62	9.24
59	1.04	- 6.34	- 4.45	9.81	17.31
60	9.46	4.05	1.42	12.82	51.13
61	- 0.12	0.08	- 0.07	- 2.43	10.28
62	1.73	0.08	- 2.07	1.22	19.53
63	13.25	3.22	13.37	21.78	8.82
64	7.87	- 0.57	- 2.84	19.37	7.06
65	- 4.99	7.54	2.62	-15.00	- 4.85
66	- 3.44	0.25	0.23	- 6.94	- 7.34
67	12.38	15.84	17.92	7.45	8.97
68	13.50	11.09	17.05	13.24	12.58
69	5.55	0.01	11.14	4.35	10.09
70	- 3.63	0.23	- 7.09	- 3.78	- 4.20
71	-13.03	- 7.50	-14.23	-18.66	- 4.08
72	- 2.38	- 7.74	- 2.27	1.32	0.22
73	0.13	10.24	- 2.68	- 6.38	2.21
74	- 2.22	- 4.50	0.14	- 1.37	- 3.72
75	0.34	0.28	13.15	-11.43	7.33
76	1.63	- 3.22	13.19	- 5.02	2.85
77	8.19	- 1.96	4.61	19.14	16.54

TABLE 5 (CONTINUED)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1978	0.73	- 4.40	9.11	- 0.04	- 7.24
79	- 3.04	- 5.30	2.16	- 6.68	- 3.54
80	- 2.97	- 2.99	- 4.52	- 0.94	- 3.36
81	5.22	0.00	11.64	5.51	- 3.84
82	18.22	16.54	19.12	20.27	12.95
83	12.96	12.90	9.81	20.18	2.79
84	9.15	3.48	2.36	18.67	15.71
MEAN	2.57	1.34	2.86	2.91	6.20

category experienced from one year to the next. On the whole, total DON funds in the four major areas rose 2.57 percent. Breaking this figure down, MP gained an average of 1.34 percent, while O&M rose an average of 2.86 percent and PROC rose 2.91 percent. RDT&E, the smallest of the four major appropriations areas, received the greatest average increase at 6.20 percent. These figures are only an average, as each category did in fact fluctuate between gains and losses. The overall DON total went from one extreme of an 18.22 percent increase to the other extreme of a 13.03 percent decrease.

Figure 6 gives a better picture of how much these funds actually fluctuated from year to year. Tables six through eight once again use the breakdown between abundant, middle, and lean years for DON funds, to determine if a pattern exists that is not evident when examining the overall picture. Because some of the figures are obvious outliers, median figures are used to give a more accurate picture.

Table 6 shows the percent increase or decrease experienced by the four major categories during the ten years when funds were abundant. As may be expected, all areas received a significant average annual increase. PROC received the greatest annual increase, followed by RDT&E, O&M, and MP. Table 7 shows that during the middle years, when DON funds were considered normal, all categories except procurement still received some increase, although much less than during the abundant years. RDT&E fared the best, receiving an average annual increase of 5.09 percent, followed by O&M at

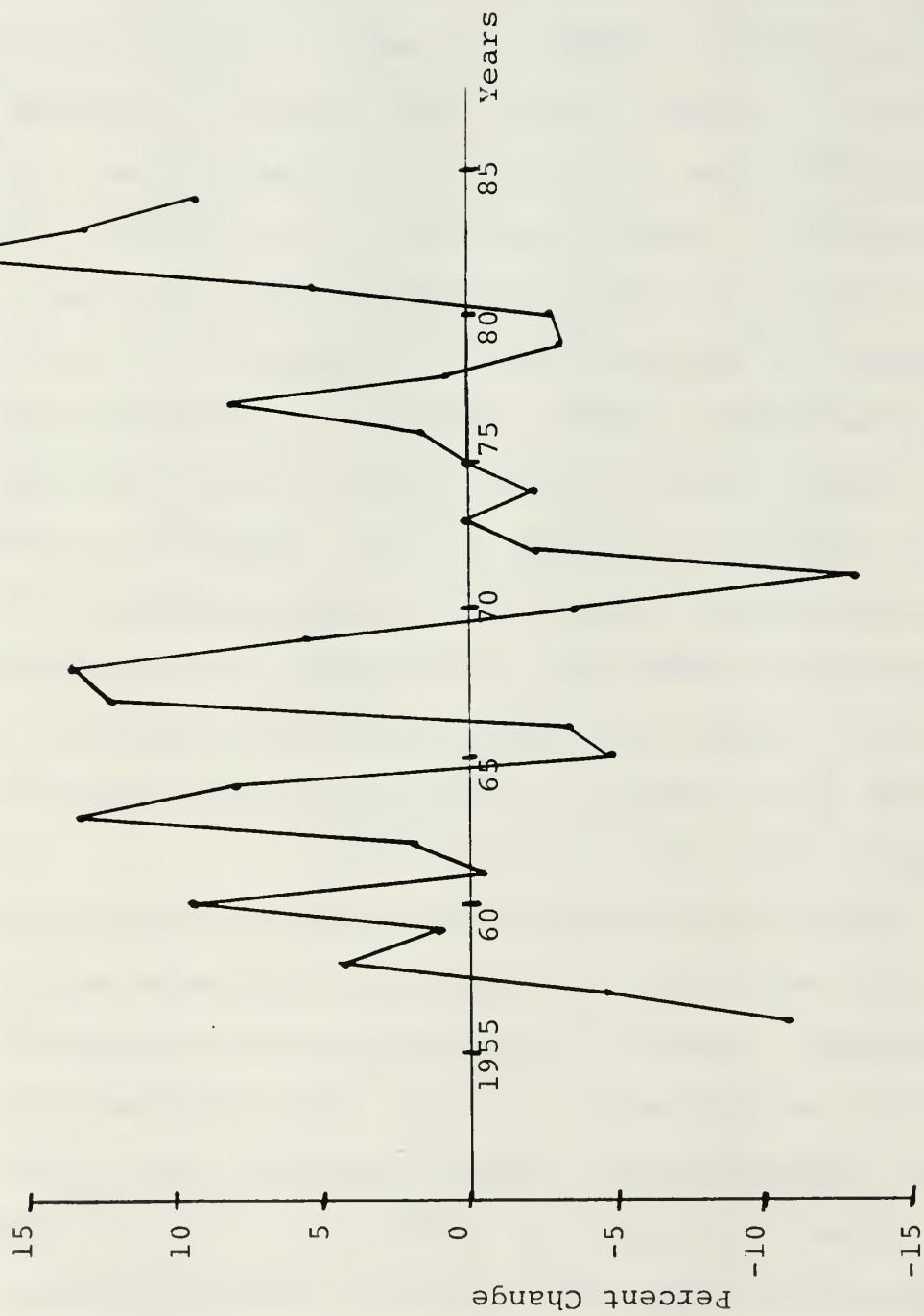


Figure 6. DON TOTAL PERCENT CHANGE FROM PREVIOUS YEAR  
(Constant Dollars)



TABLE 6

PERCENT CHANGE FROM PREVIOUS FISCAL YEAR--ABUNDANT YEARS  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1982	18.22	16.54	19.12	20.27	12.95
68	13.50	11.09	17.05	13.24	12.58
63	13.25	3.22	13.37	21.78	8.82
83	12.96	12.90	9.81	20.18	2.79
67	12.38	15.84	17.92	7.45	8.97
60	9.46	4.05	1.42	12.82	51.13
84	9.15	3.48	2.36	18.67	15.71
77	8.19	- 1.96	4.61	19.14	16.54
64	7.87	- 0.57	- 2.84	19.37	7.06
69	5.55	0.01	11.14	4.35	10.09
MEAN	11.05	6.46	9.40	15.73	14.66
MED	10.92	6.46	10.48	19.02	11.52

TABLE 7

PERCENT CHANGE FROM PREVIOUS FISCAL YEAR--MIDDLE YEARS  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1981	5.22	0.00	11.64	5.51	- 3.84
58	4.46	0.62	9.66	3.62	9.24
62	1.73	0.08	- 2.07	1.22	19.53
76	1.63	-3.22	13.19	- 5.02	2.85
59	1.04	-6.34	- 4.45	9.81	17.31
78	0.73	-4.40	9.11	- 0.04	- 7.24
75	0.34	0.28	13.15	-11.43	7.33
73	0.13	10.24	- 2.68	- 6.38	2.21
61	- 0.12	0.08	- 0.07	- 2.43	10.28
74	- 2.22	-4.50	0.14	- 1.37	- 3.72
MEAN	1.29	0.72	4.76	0.35	5.40
MED	.89	0.04	4.63	- 0.71	5.09

4.63 percent and MP with a very slight increase of .04 percent. PROC suffered the most, with an average annual decrease of .71 percent.

Table 8 shows the data for the nine "lean" years for DON funds.

TABLE 8  
PERCENT CHANGE FROM PREVIOUS FISCAL YEAR--LEAN YEARS  
(Constant Dollars)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1972	- 2.38	- 7.74	- 2.27	1.32	0.22
80	- 2.97	- 2.99	- 4.52	- 0.94	- 3.36
79	- 3.04	- 5.30	2.16	- 6.68	- 3.54
66	- 3.44	0.25	0.23	- 6.94	- 7.34
70	- 3.63	0.23	- 7.09	- 3.78	- 4.20
57	- 4.69	4.49	- 1.15	-14.64	0.29
65	- 4.99	7.54	2.62	-15.00	- 4.85
56	-10.87	- 7.47	-34.46	- 0.94	597.98
71	-13.03	- 7.50	-14.23	-18.66	- 4.08
MEAN	- 5.45	- 2.05	- 6.52	- 7.36	63.46
MED	- 3.63	- 2.99	- 2.27	- 6.68	- 3.54

While each category now suffered average annual decreases, O&M fared the best, with an average cut of 2.27 percent, followed by MP and RDT&E. PROC again suffered the biggest cut, with an average annual decrease of 6.68 percent.

Breaking the figures down into these categories now gives a much clearer pattern. Procurement appears to be the most prone to change, receiving the greatest percent increase during the years when funds were abundant, and suffering the greatest losses during the middle and lean years. O&M fared well during the abundant and middle years, while experiencing the least cuts during lean years. MP was the steadiest of the categories, receiving small increases in abundant and normal years, and small decreases in lean years. RDT&E fared the best during the middle years and quite well during abundant years, but suffered average losses during lean years.

#### C. SUMMARY OF RESULTS

This section will summarize the preceeding data by presenting the relative rankings of the four major appropriations areas. The Anderson study [Ref. 14] also presented DOD figures using these rankings. Although his study used a total DOD figure, including all appropriations areas, relative rankings remain the same for the four major areas, so that a meaningful comparison can be made with this DON study.

Table 9 shows the relative rankings of the four major appropriations areas for DON, while Table 10 shows DOD figures from the Anderson study.

A comparison of DON and DOD data using these relative rankings shows a high correlation. During both abundant and normal years, relative rankings of the four major appropriations areas for DOD and DON are exactly the same. Only during the

TABLE 9

RELATIVE RANKINGS OF APPROPRIATIONS CATEGORIES  
(Percent Change from Previous Year)

## DON

<u>AVAILABILITY OF FUNDS</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
"ABUNDANT"	4	3	1	2
"NORMAL"	3	2	4	1
"TIGHT"	2	1	4	3

TABLE 10

RELATIVE RANKINGS OF APPROPRIATIONS CATEGORIES  
(Percent Change from Previous Year)

## DOD

<u>AVAILABILITY OF FUNDS</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
"ABUNDANT"	4	3	1	2
"NORMAL"	3	2	4	1
"TIGHT"	2	3	4	1

Source: Ref. 14:p. 35

"tight" or lean years is there any difference, when O&M is first for DOD and third for DON, while RDT&E is the opposite, ranking first for DON and third for DOD.

Overall, it would appear the DON budgeting trends closely follow that of the DOD as a whole. However, when using average figures as in this and the Anderson study, many trends can



actually be obscured. Some of these were evident by the difference between looking at the tables with average figures, and graphs showing actual trends. For example, Tables 2 and 3 show that, on the average, PROC received the largest share of the budget. However, these average figures mask the trends shown by their corresponding graphs (Figures 3 and 4). The graphs illustrate that during the mid to late 1970's, regardless of the availability of funds, O&M showed a significant increase, overtaking PROC and receiving the largest share of the DON budget.

In the concluding chapter, the data will be interpreted further to see if the Department of the Navy budgeting behavior can be explained by changing availability of funds, or whether other factors do in fact have more influence.

#### IV. CONCLUSION

##### A. DON APPROPRIATIONS DISTRIBUTION

An examination of the distribution of funds among the four major appropriations areas does reveal different trends according to the availability of funds. While Procurement fares the best during the abundant years, it receives the largest cuts in the normal and lean years. O&M fares the best when funds are lean, less well during normal years, and relatively poorly during abundant years. RDT&E has the best overall ranking in the normal years, second best during abundant years, and does relatively poorly during lean years. Military Personnel ranks second in lean years, third in normal years, and worst in abundant years.

It appears that in the thirty-year history of DON budgeting in this study, Procurement has been the most sensitive to the availability of funds. It gets the largest increases when funds are abundant, and the largest decreases when funds are lean. RDT&E also receives a larger increase during normal and abundant years than when funds are lean. However, O&M and MP show the opposite trend, faring better than RDT&E and PROC during lean years, but worse than those categories during abundant years.

These findings strongly correlate with Anderson's [Ref. 17] findings on DOD budgeting trends (see Tables 9 and 10, Chapter III). They also support Kanter's [Ref. 7] observations. In

his study, he found that Congress made larger changes in the PROC and RDT&E areas, suggesting that these categories were easier to break down into areas which could be individually analyzed. During years of abundant funding, they would be able to add more programs, while programs could be cut in lean years. The MP and O&M categories are viewed more as a whole, and therefore are less subject to large increases or large cuts.

Looking at the overall trends in the data collected for this thirty-year study, DON budgeting would appear to be primarily incremental. The DON budget experienced years of varying growth or reduction, but never more than 18 percent growth or 13 percent reduction in one year, and only an average of 2.57 percent p.a. growth. The Secretary of the Navy's explanation of their budgeting process in a 1961 hearing before Congress suggests the Navy derived their figures through an incremental process:

SECNAV FRANKE: recognized that Personnel occupied a more or less fixed position and, therefore, that any estimates for Personnel would not be subject to much change. We also recognized that Polaris has a very high priority and there was not much we could do about Polaris . . . with respect to all other programs, however, we said to send us in the first part of what we considered to be more or less priority items, or first priority items, equivalent to the direct obligations for the Fiscal year 1960 plus 10 percent . . . .

CHAIRMAN MAHON: What was the purpose of adding the 10 percent?

SECNAV FRANKE: To give flexibility. In other words, we felt it is possible over the years as the Gross National Product increases perhaps the Defense Department budget will increase by something of the same amount. That was the purpose for the 10 percent.

Items in our budget still were going to be eliminated or increased as the result of individual program reviews. It was a yardstick of a kind, so to speak.  
[Ref. 18:pp. 71-72]

Zero-based budgeting was introduced to the military during the Carter administration, designed specifically to emphasize more of a program approach and avoid the traditional incremental approach. However, the approach to ZBB in the military was similar to this agency's experience:

Program officials reported, apparently without realizing the totally contradictory implications for the theory behind the zero-base budget, that in preparing estimates "we had to start from the previous year, then determine what increases we wanted. . . . You've got to start from where you are." They made two main points to support this proposition. First, since they were best informed about their present status, they could make some reasonable estimate of the effect of more or less money for particular programs. But they had no idea what drastic changes--such as eliminating their programs, or cutting them in half, or doubling them--would mean: "Increases or decreases are about all we can swallow."  
[Ref. 19:p. 283]

When deriving the Navy's budget figures, some areas are easier to estimate than others. In a 1959 House Appropriations Subcommittee hearing, the CNO, Admiral Beardsley, was asked by the committee what part of the budget was actually firm and what part was unknown. He replied:

I would say certainly the thirty-odd percent that is in personnel is very well known, and I understand your question. In the maintenance and operations area, we have another 23 percent of our budget. That adds up to 53 percent for those two areas. The procurement area is a little less firm, as you know, as I am interpreting firmness here. In the research and development area, I would assume it is somewhat, perhaps, like the procurement area: there is some flexibility or uncertainty. If you get a breakthrough in another area, you might spend more for one project than the other. The research appropriation is a little less firm in some areas.

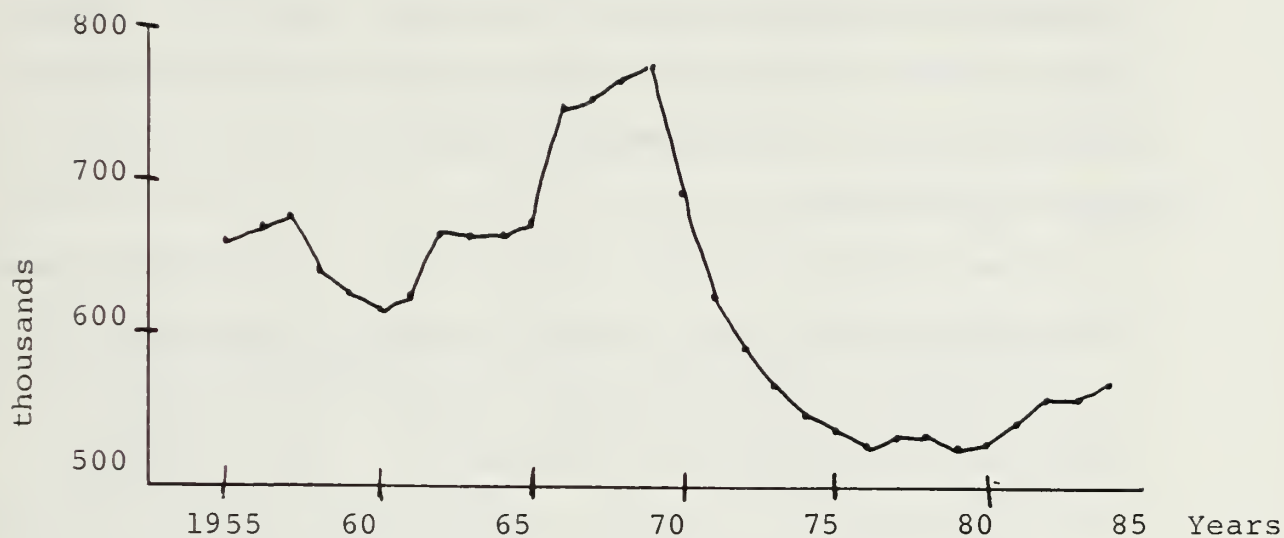
In the overall, better than 60 percent of the budget is very firm and can be very accurately determined--the personnel, the pay and such, the maintenance and operations, and so forth. [Ref. 20:p. 816]

Referring to Figure 2 and analyzing the trends of the individual appropriations areas, it appears that two appropriations categories are quite stable, while two areas have fluctuated greatly. RDT&E has been the steadiest, showing relatively small increases and decreases. Whether funds are abundant or tight, RDT&E still is perceived as an area which must be maintained to some extent, as a hedge for the future. Certain individual programs may be cut, but there is a rather stable base which is maintained.

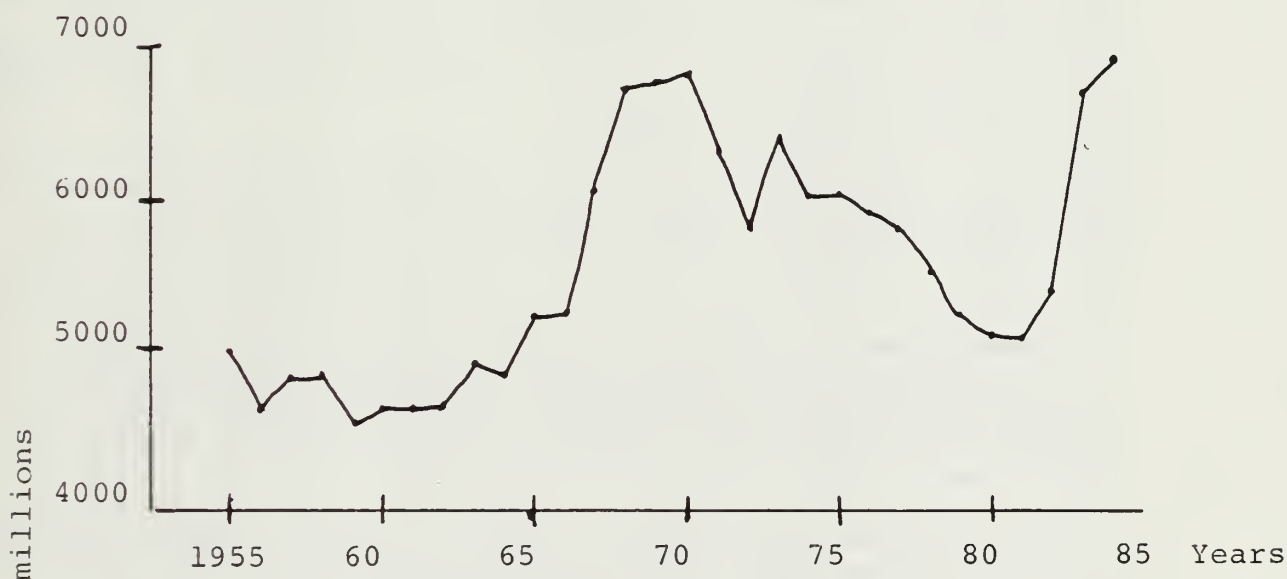
Military Personnel has also been relatively stable. The amount appropriated has a high correlation with the number of personnel, making it less of a political decision, but more a function of personnel needs. As is evident in Figure 7, the largest cut in Personnel came after the Vietnam War. Since 1980, both numbers and funding for MP have begun to rise again.

A much less stable trend appears with PROC and O&M. While both categories have the same relative shares at the beginning of the study and the end (PROC receiving the larger share), there has been much more fluctuation in the intervening years, with O&M receiving a larger share by 1977. Only in recent years (FY 84) has PROC again received a larger share of funds than O&M.





a.



b.

Figure 7. a. Number of U.S. Navy Personnel  
b. DON Military Personnel--Dollar Outlays  
(Constant Dollars)

By viewing Figures 3-5, it is evident that regardless of the category--abundant, normal, or lean years--this trend holds. PROC received the largest share of funds in the beginning years in each category, but by the end, O&M funds had overtaken PROC.

These findings strongly suggest that the Procurement and O&M appropriations areas cannot be explained completely by an incremental budgeting process. They vary far more according to macropolitical events, e.g., the Vietnam War, disillusionment with the War, and the Reagan defense build-up.

Some of these trends are mirrored in the statements by the CNO and SECNAV before Congress. In 1974, after a period of decline in O&M funds, the CNO, Admiral Zumwalt, emphasized his concern in this statement:

We have grave concern as to the effects of this on our 1973 appropriation and on the 1974 budget now before you, particularly in the annual appropriations for MPN and O&M,N, and particularly on the current and future readiness of the Navy . . . the cost avoidance actions we have taken in O&M,N have been equally drastic and undesirable, with serious degradation of readiness of forces and vital fleet support in all areas of the Navy other than forces deployed to the Western Pacific.  
[Ref. 21:p. 207]

By 1979, however, the emphasis was put back on PROC, particularly lack of aircraft procurement funds.

Over the past several years, the naval aircraft procurement rate has been in a precipitous decline . . . the downward trend in combat aircraft procurement posture is emphasized by the fact that not since 1970 has the Department of the Navy procured even the minimum number of tactical aircraft per year to prevent excessive aging and eventual decline of the forces.  
[Ref. 22:p. 522]

It appears that while the basis of the budgeting process may be incremental, areas which receive particular emphasis from the Navy tend to fare better when presented to Congress.

By 1980, all four major appropriations areas were on the upswing and in 1984, the CNO's statement to Congress reflected this trend:

CNO ADMIRAL WATKINS: In 1981 the CNO cautioned that without an increase in budget resources, we would see perpetuation of a downward spiral toward maritime inferiority. I can report very positively on the current state of the Navy because of the favorable trends developed with your support. As I said earlier, the Navy is on the mend, but we must persist in our efforts if we are to maintain the pace which will enable us to regain the necessary maritime strength by the end of the decade. [Ref. 23:p. 433]

In the 1958 House report on the Defense Appropriation Bill, it is clear how the programs ultimately preserved are also influenced by both the ability of the Navy to justify its requests, and the personal priorities of the Committee members.

This is the Navy-wide appropriation for research and development activities. The Committee recommends \$495,000,000, a reduction of \$10,000,000 in the budget estimate of \$505,000,000, and \$3,000,000 greater than the funds appropriated for the current fiscal year. The Committee is not convinced of the need for the various and sundry studies and programs presented in justification of this appropriation request, particularly in the realm of military sciences for which approximately \$65,000,000 was requested. It believes that this reduction can be achieved without detriment to the overall research and development program of the Navy.

The Committee cannot overemphasize the need for research and development in antisubmarine warfare. . . . Such efforts must be continued . . . . [Ref. 24:p. 61]

## B. "PADDED" BUDGET REQUESTS?

The question of padded budgets seems to come up repeatedly in Congressional hearings. Committee members are constantly trying to get the "true" figures, reflecting the "true" needs of the services. At the same time, they have a historical reputation for cutting the President's budget, leaving the question open as to whether the services then intentionally ask for a little more than they need in order to survive these cuts.

The Navy has publicly denied such a practice. Following are some examples of the typical dialogue between the Committee and the Navy:

### ANTICIPATING CUTS

CNO ADMIRAL ZUMWALT: judgment corporately within the Government has been that the people will not support budgets larger than those which have been submitted. This judgment, I take it, is accurate, because the Congress has reduced our budgets \$2 billion, \$3 billion, \$5 billion, and \$3 billion in the past few years.

SUBCOMMITTEE MEMBER MR. FLOOD: You know very well we are going to do that. You know how to handle budgets. Those jokers up there will cut us about 2 1/2, so we will add this 2 1/2. [Ref. 25:p. 129]

### NO LOW PRIORITY ITEMS

CHAIRMAN MR. ADDABBO: I am concerned whether we have a true priority budget. We have seen over the years the game played with the committee and with Congress . . . what we find too often is that you get a mix of very high priority items, and very low priority items, going on the belief that friends in the Congress will take care of those other priorities by adding to, by changing the budget request. . . . Is that really telling the American people how much we actually need, and are we really working for readiness when we know that this is not the true figure and not the true need?

SECNAV HILDAGO: I know of no low priority items that should be pushed out in order to accommodate a higher priority item not presently in the budget.  
[Ref. 26:pp. 535-536]

#### DELICATELY BALANCED BUDGET

CNO ADMIRAL HOLLOWAY: The budget we are presenting, Mr. Chairman, is, as the Secretary has said, austere, but it is adequate. It is balanced, and I ask this committee to support that budget because there is no cut insurance in it. There is no fat in this budget. Cuts in this budget, and in fact, any alteration of the balance within the budget totals could very well erode the very slim margin of superiority that we have over the Soviet threat. [Ref. 22:p. 568]

#### NO FAT HERE

CNO ADMIRAL MOORER: The budget requests before you have been developed carefully and reviewed rigorously to insure a balanced approach to that objective. Measured by any yardstick, this budget is a "bare bones" budget. The requests contained herein are minimum and valid. I am prepared to justify them one by one. [Ref. 27:p. 734]

SUBCOMMITTEE MEMBER: The Committee is aware of the fact that you're here to present and defend the President's budget. However, the President's budget is seldom enacted as presented. . . . What are the low priority projects in the budget and what are the high priority projects not in the budget?

SECNAV MIDDENDORF: I don't see any areas in our budget which would permit us to make any substantial reduction and still fulfill our mission.

CNO HOLLOWAY: There are no "low priority" projects in the Navy budget. [Ref. 28:p. 152]

#### "TIGHT" BUDGETS

CHAIRMAN MAHON: Another thing that I think would be well to point out at the moment is that from year to year the Army and the Navy and the Air Force come up and say, "This budget is awfully tight. We have really been put in a straightjacket. We just don't have enough money." Or words to that effect. Yet before the end of the year the services will come on in--the Navy is no exception--and say, "Well, we have got so many million dollars here; we don't really have a pressing need for it, so we want to reprogram in order to procure something else." In



other words, while you talk about tight budgets, our experience from year to year indicated that the budget wasn't tight at all, that you had a lot of loose money around, and you come in from time to time on reprogramming action . . . we sometimes wonder if, when you appear before us for your annual justifications, the things you request funding for, if they are so important, why don't you go ahead and do what you said you were going to do instead of saying, "Well, we are so sorry but we don't really need this at this time and would like to use the money for something else." This is what makes us a little skeptical about these so-called tight budgets.  
[Ref. 29:p. 617]

Although the subcommittee members most often feel there should be cuts while the Navy would like more money, this is not always the case.

SUBCOMMITTEE MEMBER MR. SIKES: When men in great stature, in supporting this budget, leave the impression with the American people that the budget is all we need, they have the impression that you are satisfied with it. Therefore, the American people have no reason to feel that there is danger in this slowdown/cutback--that is what it is--and they are naturally going to assume that all is well with our defense . . . I think we are deluding the American people. I don't think we are spending enough. I don't think we are going to be able to take care of ourselves. In a very few years I feel that if this situation continues we will not be able to withstand confrontation. . . . I am afraid the direction we are going now simply means the next confrontation will find the power resting with the other side. We all know the answer to that scenario. Do you have that concern, Mr. Secretary? [Ref. 22:pp. 595-596]

## C. SUMMARY

The Navy budgeting process is influenced by a number of factors, making it hard to categorize by any popular term such as incremental or program budgeting. While the Navy's figures submitted to the President and on to Congress are determined primarily incrementally from a given base, how they fare in Congress is more complicated.

One point seems to come through year after year, no matter how many cuts are made or how tight the budget may be. When asked directly by the Committee whether the overall budget is sufficient to fulfill the Navy's mission, the overwhelming response is that the budget is indeed adequate.

SECNAV NITZE: You go through the long and elaborate process of working out a budget submission. People advocate a given program and make a very good case for it. You finally work out things and everything gets pared down. . . . In the process of getting pared down certainly you are not happy with all the paring that goes on. Then when you look at the overall budget and ask yourself the question--can you live with this, can we carry on our commitments?. . . We do believe we can live with this despite the paring down of \$2.7 billion, but that doesn't mean we are happy with it, nor are we expected to be. [Ref. 30:p. 679]

SECNAV GATES: I feel the budget is adequate. . . . I think everyone in the Defense Department would probably do things a little differently. I think some of us are inclined to think some of the things we know more about are more important than the other fellow's about whom we do not know quite so much. [Ref. 31:p. 605]

While the budgeting process will never be perceived as "perfect" by all parties involved, and some group or individual will always be dissatisfied with the final outcome, it does provide a series of checks and balances. A subcommittee member summed it up this way:

The budget process in the Federal Government is a dynamic process. Many individuals are involved in the preparation of the budget in the executive branch and many others in the enactment of the budget in the legislative branch. There has never been, nor will there ever be, a completely perfect budget from any department or agency. The budgets are the result of many compromises. [Ref. 28:p. 151]

In summary, the data in this study support the following conclusions regarding the DON budgeting process:

- 1) Navy budgeting overall is primarily incremental, although program budgeting has supposedly been in force for two and a half decades, since the McNamara era.
- 2) Politics plays a significant role in the Congressional appropriations process.
- 3) DON priorities tend to hold up through the budget process, depending on the strength of their testimony and ultimately, again, the priorities of the Congressional committees.
- 4) Budget cutting continues to be a fact of life as the Navy budget passes through the committees. Folklore has it that at least some budget padding is done in anticipation of cuts. Regardless of whether or not this is true, it seems expected by the committee members and the budget is acted on accordingly.
- 5) Some appropriations areas tend to fare better than others depending on whether total funds are scarce or plentiful.

# APPENDIX A

## BUDGET DATA IN CURRENT DOLLARS (in Millions)

<u>FY</u>	<u>DON</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1955	10,323	3,048	3,540	3,675	60
56	9,497	2,911	2,395	3,757	434
57	9,359	3,145	2,448	3,316	450
58	9,944	3,219	2,730	3,495	500
59	10,284	3,086	2,670	3,928	600
60	11,441	3,263	2,752	4,504	922
61	11,532	3,296	2,775	4,435	1,026
62	11,947	3,358	2,768	4,572	1,249
63	13,736	3,520	3,185	5,651	1,380
64	15,044	3,553	3,142	6,849	1,500
65	14,607	3,905	3,295	5,949	1,458
66	14,560	4,041	3,409	5,715	1,395
67	16,851	4,821	4,140	6,325	1,565
68	19,968	5,591	5,060	7,477	1,840
69	22,161	5,914	5,913	8,204	2,130
70	22,503	6,246	5,789	8,318	2,150
71	20,547	6,066	5,212	7,104	2,165
72	20,892	5,829	5,306	7,497	2,260
73	22,123	6,796	5,461	7,423	2,443
74	23,539	7,062	5,951	7,967	2,559
75	25,818	7,741	7,360	7,714	3,003
76	27,604	7,882	8,765	7,708	3,249
77	31,605	8,177	9,703	9,718	4,007
78	34,191	8,396	11,370	10,433	3,992
79	36,019	8,638	12,619	10,578	4,184
80	38,160	9,149	13,155	11,441	4,415
81	44,015	10,031	16,099	13,232	4,653
82	55,170	12,392	20,333	16,872	5,573
83	64,717	14,528	23,185	21,057	5,947
84	73,274	15,596	24,618	25,921	7,139

# APPENDIX B

## BUDGET DATA IN CONSTANT 1972 DOLLARS (in Millions)

<u>FY</u>	<u>GNP DEFLATOR</u>	<u>TOTAL</u>	<u>MP</u>	<u>O&amp;M</u>	<u>PROC</u>	<u>RDT&amp;E</u>
1955	60.84	16,968	5,010	5,819	6,040	99
56	62.79	15,124	4,636	3,814	5,983	691
57	64.93	14,414	4,844	3,770	5,107	693
58	66.04	15,057	4,874	4,134	5,292	757
59	67.60	15,214	4,565	3,950	5,811	888
60	68.70	16,654	4,750	4,006	6,556	1,342
61	69.33	16,634	4,754	4,003	6,397	1,480
62	70.61	16,922	4,758	3,920	6,475	1,769
63	71.67	19,165	4,911	4,444	7,885	1,925
64	72.77	20,671	4,883	4,318	9,412	2,061
65	74.36	19,643	5,251	4,431	8,000	1,961
66	76.76	18,967	5,264	4,441	7,445	1,817
67	79.06	21,315	6,098	5,237	8,000	1,980
68	82.54	24,192	6,774	6,130	9,059	2,229
69	86.79	25,534	6,814	6,813	9,453	2,454
70	91.45	24,607	6,830	6,330	9,096	2,351
71	96.01	21,401	6,318	5,429	7,399	2,255
72	100.00	20,892	5,829	5,306	7,497	2,260
73	105.75	20,919	6,426	5,164	7,019	2,310
74	115.08	20,455	6,137	5,171	6,923	2,224
75	125.79	20,524	6,154	5,851	6,132	2,387
76	132.34	20,858	5,956	6,623	5,824	2,455
77	140.05	22,567	5,839	6,928	6,939	2,861
78	150.42	22,731	5,582	7,559	6,936	2,654
79	163.42	22,041	5,286	7,722	6,473	2,560
80	178.42	21,387	5,128	7,373	6,412	2,474
81	195.60	22,503	5,128	8,231	6,765	2,379
82	207.38	26,604	5,976	9,805	8,136	2,687
83	215.34	30,054	6,747	10,767	9,778	2,762
84	223.38	32,803	6,982	11,021	11,604	3,196



## LIST OF REFERENCES

1. Wildavsky, Aaron, The Politics of the Budgetary Process, Little, Brown, and Co., 1979.
2. Davis, O.A., Dempster, M.A.H., and Wildavsky, A., "A Theory of the Budgeting Process," The American Political Science Review, V. 60, No. 3, pp. 529-547, September 1966.
3. Lindbloom, Charles, "The Science of 'Muddling Through'," Public Administration Review, V. 19, No. 2, pp. 79-88, Spring 1959.
4. Natchez, P.B., and Bupp, I.C., "Policy and Priority in the Budgeting Process," The American Political Science Review, V. 67, No. 3, pp. 951-963, September 1973.
5. LeLoup, Lance, Budgetary Politics, King's Court Communications Inc., 1977.
6. Fenno, Richard, Congressmen in Committees, Little, Brown, and Co., 1973.
7. Kanter, Arnold, "Congress and the Defense Budget: 1960-1970," The American Political Science Review, V. 66, No. 1, pp. 129-143, March 1973.
8. Lewis, Verne B., "Toward a Theory of Budgeting," Public Budgeting and Finance, V. 1, No. 3, pp. 69-82, Autumn 1981.
9. Fenno, Richard, The Power of the Purse: Appropriations Politics in Congress, Little, Brown, and Co., 1966.
10. LeLoup, Lance, "Appropriations Politics in Congress," Public Budgeting and Finance, V. 4, No. 4, pp. 79-98, Winter 1984.
11. Fenno, Richard, Congressmen in Committees, Little, Brown, and Co., 1973.
12. Wildavsky, Aaron, "Budgetary Futures: Why Politicians May Want Spending Limits in Turbulent Times," Public Budgeting and Finance, V. 1, No. 1, pp. 20-27, Spring 1981.
13. Key, V.O. Jr., "The Lack of a Budgetary Theory," Public Budgeting and Finance, V. 1, No. 2, pp. 86-90, Summer 1981.

14. Donahue, Leo, "You Can't Take The Politics Out of Budgeting," Public Budgeting and Finance, V. 2, No. 2, pp. 62-72, Summer 1982.
15. Budget of the United States Government, Fiscal Year 1955 through Fiscal Year 1984, Washington, D.C.: United States Government Printing Office.
16. The Economic Report of the President, transmitted to Congress, February 1985, Washington, D.C.: United States Government Printing Office, 1985.
17. Anderson, John, Distribution of Budgeted Outlays with Regard to the Availability of Funds in the DOD, M.S. Thesis, Naval Postgraduate School, Monterey, California, June 1983.
18. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1961, V.1, pt. 2.
19. Wildavsky, Aaron, Budgeting: A Comparative Theory of Budgetary Process, Little, Brown, and Co., 1975.
20. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1959, V. 1, pt. 2.
21. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1974, V. 1, pt. 2.
22. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1979, V. 1, pt. 1.
23. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1984, V.1, pt. 2.
24. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1958, DOD Appropriations Report.
25. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1975, V. 1, pt. 2.
26. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1981, V. 1, pt. 2.
27. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1971, V. 1, pt. 1.
28. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1977, V. 1, pt. 2.

29. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1967, V. 1, pt. 1.
30. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1965, V. 1, pt. 4.
31. Hearings Before the Subcommittee of the Committee on Appropriations--House of Representatives, 1960, V. 1, pt. 1.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22304-6145	2
2. Library, Code 0142 Naval Postgraduate School Monterey, California 93943-5100	2
3. Professor Jerry L. McCaffery, Code 54Mm Department of Administrative Sciences Naval Postgraduate School Monterey, California 93943-5100	1
4. Lt. Janet G. Benson 6025 McKinley Street Fridley, Minnesota 55432	1







216146

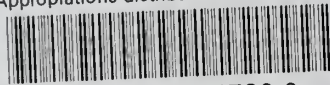
Thesis  
B39152  
c.1

Benson

Appropriations distribution trends regard to the availability of funds in the DON budget.



Appropriations distribution trends with r



3 2768 000 64720 0  
DUDLEY KNOX LIBRARY